

## **Suggested outline of business plan**

Cover sheet: Name of business, Names of principles, Address and Telephone number of business.

Statement of purpose

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personal resumes, job descriptions, personal financial statements, credit reports, letters of reference, letters of intent, copies of leases, contracts, legal documents, and anything else of relevance to the plan.

Financing Proposal For Finestkind Seafoods, Inc.

To Be Submitted To The Great Bank And Trust Co.

Mike Gosling

Mike Swan

Finestkind Seafoods, Inc

123 Main Street Anytown, Me 04112

203.432.1111

January 25,2001

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## Section One: The Business

### **Statement Of Purpose**

Finestkind Seafoods, Inc. Seeks loans totaling 120,000 to purchase equipment and inventory; purchase property and buildings at 123 main street, Anytown, me.; perform necessary renovations and improvements; and maintain sufficient cash reserves to provide adequate working capital to successfully expand an existing wholesale/retail seafood market. This sum along with an additional equity investment of the principals will finance transition through the expansion phase so that our business can operate at a higher level of profitability.

### **Description Of Business**

Finestkind Seafoods, Inc. Is a fish market specializing in selling extremely fresh (no more than one day old from the boat) seafood to local retail and wholesale customers. At present, about 60% of sales are retail. Finestkind plans to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future. Although profit margins are lower in the wholesale trade, profits are higher due to lower personnel costs and faster inventory turnover.

Finestkind began business in September 1995. The store is open seven days a week from 10:00 am to 6:30 pm (6:00 pm in the winter) for retail business from 6:30 am to 8:30 pm year-round for wholesale.

The retail demand is seasonal and fluctuates according to the weather (the store is located on a tourist jute). The wholesale demand is constant and increasing. We feel that the latter can be improved by more direct selling efforts. Our customers agree (see letter from clambakes in supporting documents). The quality of our seafood is exceptional, and because Mr. Swan is a fomler fisherman with many personal friends in the fishing industry, we do not anticipate trouble maintaining good relations with our suppliers. We have made a policy of paying premium price in cash at dockside for the best, freshest seafood.

## **Description Of The Market**

Finestkind will continue to provide premium-quality seafood's to both wholesale and retail customers. We plan to switch from 60 percent retail/40 percent wholesale to 40 percent retail/60 percent wholesale as we grow. Retail business should grow over the next few years, but the greatest profit will be in the wholesale accounts.

Our goal is to provide the freshest seafood at competitive prices to customers within 25 miles of York. This market has a population of over 100,000 people and a potential of over 300 commercial wholesale accounts.

Customers will be attracted by:

- \*Direct approach to local restaurants, groceries and other potential wholesale accounts
- \*A local radio and newspaper advertising campaign.
- \*Word-of-mouth advertising from our present customer base.
- \*Our location and signs on route 1, a heavily traveled tourist route

As a footnote: in the past month distributors from four foreign countries (Turkey, Germany, Poland and Belgium) have purchased significant amounts of fresh and frozen lobsters from us. This may represent a low-risk opportunity because these accounts pay in advance of shipment. While we came across the accounts by a fluke, we think they could be entry into a wider market. We are currently exploring this opportunity with our advisors and exporters recommended by the SBA.

## **Description Of The Location**

Finestkind is currently leasing a one-story, wooden frame building with cement floor (2000 square feet) at 123 Main Street. Anytown, Maine, for \$550 per month with an option (in writing) to buy for \$105,000. The property is zoned for commercial use. Main Street is part of heavily traveled tourist route with most nearby businesses catering to the tourist trade. Finestkind has performed major leasehold improvements, such as installing rough-sawn pine board walls and a walk-in freezer. The building is divided into (1) sales-counter area (1200 square feet); (2) a cutting area (100 square feet); (3) a multipurpose area, including toilet with separate entry, storage space, and room for some expansion of the freezer and processing areas (700 square feet in all).

See the diagram in the supporting documents.

## **Description Of The Competition**

There are three seafood operations competing directly with Finestkind:

### 1. Fred's fish

A scattered operation with one truck making the rounds and a small counter leased from a supermarket in Anytown. We have cut into their sales by making promised deliveries on time and at the agreed price. As a result their operation has become marginal.

### 2. Kingfisher

A clean, three-man operation in rye specializing in cheaper fish. Kingfisher has trouble with their suppliers because they are not willing to pay top dockside prices in cash and the owner likes to haggle over price. The operation is well financed and managed, has modern equipment and sells directly to homes from a fleet of three trucks (very convenient). They have some wholesale business because they want to expand. Their sales are apparently growing because they have been serving the same routes for five years and have an excellent reputation. Rumor has it the kingfisher is interested in buying Fred's fish or adding another delivery truck or two.

### 3. Job's Seafoods

Currently rebuilding because of a disastrous fire, but will be our most serious competitor when their new store opens. Job's has been in business for twenty five years in Anytown and has a good location on a scenic bridge two miles south of Finestkind. Job's has good relations with the suppliers and serves most of the supermarkets. Currently, they have no retail business but

plan to open a retail store in their new building. However the owner needs a major eye operation and may be willing to part with some of the wholesale business because he is getting on in years.

Indirect competition is from a major processor in Portland (45 miles east) and Boston (60 miles south). Because we fall between their primary market areas we can purchase from both on a consignment basis.

### **Description Of Management**

Mr. Gosling was born in Anytown, Maine and has lived there all his life. After graduating from local schools and serving in the u. S. Navy for three years, he became a self-employed carpenter, taking night courses in small business management and sales at the university of Maine, with the aim of owning and managing a retail store. He currently serves on the local zoning board. He and his wife (a medical secretary) live in Anytown with their two children.

Mr. Swan was born in Wisconsin, attended schools In Utah, Alaska, and Florida and served four years. In the Marines (rank upon separation: E-3). He test froze motorcycles for a year, and then served as parts manager for Wheely Cycles, Inc. before joining the fatback fish division of tasty foods as a packer in March 1989 in their East Machias, Maine plant. In June 1991 he resigned as line foreman of the frozen food filleting department to join Mr. Gosling at Finestkind. He is unmarried and lives in AnyTown.

Both men are healthy and energetic. They believe their energies complement each other and will help them make Finestkind a success. In particular, Mr. Swan knows all of the fishermen while Mr. Gosling is a well-known member of the community. Because Mr. Swan has had experience in cost control and line management, he will be responsible for the store and inventory control. Mr. Gosling will primarily be responsible for developing the wholesale business. They will set policies together. Personnel decisions will be made jointly

Salaries will be \$950 per month for the first year to enable the business to payoff start-up cost. Mr. Gosling's wife earns enough to support their family; Mr. Swan's personal expenditures are low because he shares a house with five other men. In the second year, they will earn \$1,200 per month in the third year \$1,500 per month with any profits returned to the business.

In order to augment their skills, they have enlisted the help of Smith & Farley (CPA's), Dewey Cheatham & Howe (attorneys) and Halsey Johnson, a retired banker who will be on their advisory board. Other board members are Andrew O'Bangfo, business consultant, the University of Maine's venture incubator division's Etienne LeBlanc; and Gene Brudleigh of FROG (Fish Retailers Organized For Growth). This board will provide ongoing management review.

## **Description Of Personnel**

Finestkind will hire one part-time salesperson within six months to sell seafood over the counter to the retail customers. He or she will be paid \$4.00 per hour for weekend work; no fringe benefits or overtime are expected. We will also employ, on as needed basis one cutter at \$6.75 per hour to help process seafood for .the wholesale trade. We think the counter help will be needed for 10 weeks during the summer and the cutter will be needed about 20 hours per week for 16 weeks. (This should take care of the second summer as well. For the third year, we plan on two counter helpers plus a full-time summer cutter.) In the second year, we'll add one full-time employee at \$850 per month, with a rise to \$900 per month in the third year. No other employees are planned unless we grow more rapidly than we expect.

## **Application And Expected Effect Of Loan Or Investment**

The \$120,000 will be used as follows:

Purchase of main street property	\$75,000
Equipment:	
Used ford pickup with insulated body	\$3,885
Dayton compressor (used, serial #45-cash-990)	\$365
Sharp slicer (used, speedy model)	\$400
Renovations (see contractor's letter in supporting documents)	\$12,500
Working capital	\$12,000
Inventory	\$1,500
Cash reserve	\$14,350
Total	\$120,000

Finestkind can purchase the property at 123 Main street at a substantial savings under the terms of a lease/purchase agreement. An independent appraiser has calculated the value of the property, including the leasehold]d improvements already done by Finestkind, at \$135,000.

The monthly payment for a 15 year mortgage (\$75,000 at 11.5 percent interest) will be \$875 per month, a net decrease of \$325 per month over the current rent. See the financial data section for the effect on the business.

The truck will be used to deliver merchandise to our wholesale customers, retard spoilage, and maintain the quality of the seafood.

The compressor will replace the one now used for the freezer and will lower electrical costs and provide a measure of insurance against loss of refrigeration. (We'll keep the old one as a spare)

The slicer will save four man-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained help can fillet flounder with minimal waste.

The renovations are: a deep-water well required by the state, a toilet and wash sink area separate from the work area, and replacements of the obsolete heating system to reduce fuel expense.

The working capital will enable Finestkind to meet current expenses, offset negative seasonal cash flow

As shown in the cash flow projection in the financial data section, and ensure the continued growth of the business.

The inventory is to take advantage of bulk rates on certain fresh-frozen packaged goods such as red snapper or South American spiny lobster.

The bank will hold the reserve as a line of credit. It will be used to take advantage of special opportunities or to meet emergencies.

## **Summary**

Finestkind Seafoods, Inc. Is a fish market serving retail and wholesale markets in and around Anytown, Maine. Mike Gosling and Mike Swan, owners are seeking \$120,000 to purchase the 123 Main Street property, perform necessary renovations and improvements to the property, maintain a cash reserve and provide adequate working capital for anticipated expansion of the business. This amount will be sufficient to finance transition through a planned expansion phase so the business can operate as an ongoing, profitable venture.

Careful analysis of the potential market shows an unfilled demand for exceptionally fresh seafood. Mr. Gosling's local reputation will help secure a sizable portion of the wholesale market, while Mr. Swan's managerial experience assures that the entire operation will be carefully controlled. Mr. Gosling's current studies at the University of Maine will provide even more control over the projected growth of Finestkind and complement the advice of a thoughtfully selected advisory board.

The funds sought will results in a greater increase in fixed assets than may be shown, as Mr. Gosling will be performing much additional renovation and improvements himself. The additional reserve and working capital will enable Finestkind to increase their sales substantially while maintaining profitability.

## **Section Two: Financial Data**

### Description Of Sources And Applications Of Funding Finestkind Seafoods, Inc.

#### Sources

1. Mortgage loan	\$75,000
2. Term loan	30,000
3. Reserved loan	15,000
4. New investment from Gosling and Swan	30,000

Total \$150,000

#### Applications

1. Purchase 123 Main Street property	\$105,000
2. Equipment	4,650
3. Renovations	12,500
4. Inventory	1,500
5. Working capital	12,000
6. Cash reserve for contingencies	14,350

Total \$150,000

To be secured by the assets of the business and personal guarantees of the principals, Mike Gosling and Mike Swan.

## **Capital Equipment List**

Finestkind Seafoods, Inc.

Major equipment and Normal Accessories	Model	Cost or list Price (whichever is lower)
Storequip, Inc. display case, Glass front, ice	handmade	\$ 600
Storequip, inc. Display case, Glass front, refrigerated	sst6-77k	1,700
Dayton air compressor	45-cah-990	365
Bendix standing freezer	3979-7584	350
GE standard freezer		50
Cleaning table, fiberglass	handmade	200
Freezing locker and compressor	handmade	4,500
Totals		7,765
<hr/>		
<b>Minor Shop Equipment</b>		
Miscellaneous knives, scalers, etc.		\$ 500
Miscellaneous display trays, boxes		350
Total		\$ 850
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<b>Other Equipment</b>		
Pickup truck with Insulated body	1983 ford, lo-bed	\$ 4,000
Safe	1879 diebold mosler	200
Cash register	523 ncr	350
Calculator	ti-120	65
Computer and software	super clone	2,100
Light fixtures	custom	400
Total		\$ 7,115
<b>Capital Equipment Total</b>		<b>\$15,730</b>

Finestkind Seafoods. Inc.  
October 1, 19XX  
Balance Sheet

Assets	Liabilities
<b>CURRENT ASSETS</b>	<b>CURRENT LIABILITIES</b>
Cash	Accounts Payable
\$ 2,150	\$ 8,077
Accounts Receivable (net)	Current portion
1,700	
Merchandise Inventory	Long-term debt
3,900	1,440
Supplies	Total Current Liabilities
450	<u>\$9,517</u>
Prepaid expenses	
320	
 	<b>LONG-TERM LIABILITIES</b>
Total current assets	Note Payable (a)
<u>\$ 8,520</u>	\$ 535
<b>FIXED ASSETS</b>	Bank Loan Payable (b)
Fixtures and Leasehold	1,360
Improvements (d)	equity loan payable ©
\$13,265	9,250
Building (freezer)	Total Long Term Liabilities
4,500	<u>\$11,145</u>
Equipment	
3,115	Total Liabilities
Trucks	<u>\$20,662</u>
6,500	
Total Fixed Assets	Net worth
<u>\$27,380</u>	\$15,238
 	Owners' equity
Total Assets	
<u><u>\$35,900</u></u>	Total liabilities
	And net worth
	<u><u>\$35,900</u></u>

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ACCOUNTS PAYABLE DISPLAY

Eldredge's Inc	\$ 3,700
Lesswing's	4,119
Paxstone	180
B&B Refrigeration,	78
	<u>\$ 8,077</u>

- (a) Dave N. Hall for electrical work.  
 (b) Term loan secured by 1987 Jeep, 1992 Ford.  
 (c) S & C Finance Corp., Anytown, Maine.  
 (d) Includes \$10,000 in improvements since June.

## Explanation for Income Statement Projections

(4) Wholesale and (5) Retail. Due to a major marketing effort [see (18) advertising below], wholesale sales should increase to 60 percent of gross sales within two years. Retail sales are expected to be more volatile than the wholesale business, leveling off around \$20,000/month due to space restrictions. Volatility is seasonal, building from late march to a late summer peak. The increases shown in (4) wholesale are based both on the greater number of restaurants open in the summer and the 'intense marketing efforts, planned for the winter months, to sell directly to the many restaurants that don't yet know Finestkind.

(4) wholesale in years two and three follow the same pattern as year one (seasonally) but start at \$10,000/october year two as the result of advertising and marketing efforts, longer experience with the wholesale market, and greater exposure to the market. Year three is a bit more seasonal, reflecting a flattening out of the sales curve.

(8) Cost of materials. Finestkind's inventory has an average cost of 68 percent of sales (including a startup spoilage rate of 5 percent that has been reduced to under 1 percent of sales), and has been calculated as 72 percent of sales to allow for the fluctuation of dockside prices during the winter.

(9) Variable labor. In years one and two, two part-time summer helpers will be needed: a counter person at \$4/hour for 16 hours/week for 10 weeks, and a fish cutter at \$6.75/hour for 20 hours/week for 16 weeks. In year three, two full-time counter helpers and a full-time cutter will be needed for 10 and 16 weeks, respectively.

(15) Utilities. Prorated by agreement with the utility companies. Goes from \$165/month (year one) to \$220 to \$240 in year three.

(16) Salaries.

Year one: \$950/month for gosling and swan

Year two: \$1,200/month for gosling and swan \$850/month for a full-time employee

Year three: \$1,500/month for gosling and swan \$900/month (\$50/month raise) for employee

(18) Advertising. Local newspaper and radio spots. The advertising budget is 4.4 percent of (6) total sales. In year one, a large one-time promotional blitz will be made in April to build off-season wholesale business.

(23) Delivery expenses. Delivery of merchandise to restaurants and other markets. Year two: 2 percent of total sales; year three: 1.7 percent. As the

wholesale business increases, route efficiency should also increase, causing delivery expenses as a percentage of sales to decrease.

(27) Depreciation. Five-year, straight-line on equipment (beginning April, year one); straight-line 19 years on building (beginning January, year one).

(29) Rent. Applicable for three months in year one; will be replaced by (33) interest (mortgage) on the income statement.

(33) Interest (mortgage). \$75,000 mortgage for 15 years at 11.5 percent.

(34) Interest (tern loan). \$30,000 loan for seven years at 12.25 percent. .

(35) Interest (credit line). Estimated use of line: average of \$7,500 outstanding for six months a year at 13.5 percent.

## Explanation For Cash Flow Projections

### Cash flow projection by month, year one

(3) Sales receivables. Our terms are cash retail, net 10 for wholesale accounts. Assumes tt3 wholesale will turn to cash in the following month.

(6) Other sources. October, November credit line, \$7,500; January \$75,000 mortgage and \$30,000 new equity from swan and gosling; April term loan for improvements and equipment, \$30,000; June inventory buildup, \$15,000 from credit line.

(9) Cost of goods. 72 percent of current month sales [line (6) of income projections].

(11) Advertising. \$1,000 initial burst, \$400/month thereafter. Add \$4,155 to April for wholesale marketing program.

(16) Mortgage (rent). \$550/month rent to December, mortgage payments January on. Terms: \$75,000, 15 year, 11.5 percent.

(17) Term loan. \$534/month payments scheduled for term loan. Terms: \$30,000, 7 year, 12.25 percent.

### Cash flow projection by quarters for years two and three

(3) Sales receivables. Turn from September, year one. Because this is a quarterly summary, no fljrther allowance will be made for receivables turn.

(6) Other sources. \$12,000 for one month on line of credit third quarter, \$15,000 for nine week's on line of credit fourth quarter to meet inventory needs.

(24) Cumulative cash flow. Subtract \$1,237 from net cash flow, first quarter year two, to reflect the total cumulative cash flow of year one: (\$1,237).

### Section three: supporting documents resumes

#### Mike swan

March 19- to June 19-: line foreman, fatback fishfoods, East Machias, Maine. Responsible for hiring, training, and directing operations of 15 people in frozen food filleting department. Rescheduled work flow with resultant 30 percent increase in output per worker. Implemented new purchasing system that reduced spoilage 8 percent. Reduced personnel turnovers by working with local union for revision of company contract policy and by shifting from production line to team task approach. Received Grandiose Foodstuff, Inc. Award for line management and was given special assignment in September, 19- to explain these changes to other line foremen at all 22 fatback fishfoods plants in New England and the middle Atlantic states.

#### Mike Gosling

August 19- to September 19-: self-employed carpenter. Responsibilities included cash flow forecasting, budgeting, and various other management functions needed in the operation of a single- . Employee business. Night courses have been taken concurrently in small business management and sales at the University of Maine. Currently serving on the Anytown zoning board. Prior experience included a three-year term in the U.S. Navy. Married, two children.

Nightlife clambakes  
222 rural lane  
Anytown, me 04112

September 10, 19-

Gentlemen:

It is a pleasure to write this letter of recommendation for finestkind seafoods, inc. Our dealings with messrs. Gosling and swan have been completely satisfactory. Our business requires a dependable supply of fresh fish, clams and lobsters of first quality. We have consistently received seafood products from finestkind that meet these standards.

Our business is growing and we look forward to an ongoing relation- . Ship with finestkind to satisfy our needs and customers.

Yours,

Alessandro Tetrzini

Me license 1000 nh license 2000

Johnson's plumbing, inc.  
1327 varnum street,  
anytown, me 04112  
phone: 332-2222

September 18, 19-

Finestkind seafoods, inc. 123 main street  
Anytown, me 04112  
Attn.: Mr. Mike gosling

Dear Mr. Gosling:

For the sum of \$4,000, we propose to furnish and install the plumbing and heat work as shown on your outline sketch.

All work will be guaranteed and serviced for one year from the date of completion.

We would require a down payment of \$1,150 and another payment of \$1,150 when the rough plumbing and heating is completed, with the balance due upon final completion.

If the above meets with your approval, please sign and return one copy.

Signed by:

Date:

Thank you,

Derek Lamont Johnson